



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jose Obregon

**SUBJECT: RESPONSE TO MAYOR'S BUDGET MESSAGE REGARDING FLEET ISSUES**     **DATE:** May 27, 2004

---

Approved

/s/

Date 5/28/04

---

## **BACKGROUND**

This is in response to the vehicle fleet issues raised in the Mayor's Budget Message of March 17, 2004, Section 6a, regarding Vehicle Fleet Issues.

## **ANALYSIS**

1. Review with the Council the City Auditor's recommendation to use mileage reimbursements to employees instead of providing City vehicles when it can reduce costs to the City.

The City Auditor is finalizing *An Audit of the Utilization and Replacement of the City's Transport Vehicles* which will be released on June 2, 2004, and discussed at the June 9<sup>th</sup> Making Government Work Better Committee. General Services will work with all Departments and the City Auditor's office to ensure that audit recommendations are fully assessed and implemented in a manner that does not adversely impact service delivery capabilities.

In addition, General Services continues to work with departments to remove underutilized vehicles and equipment from departmental inventories by providing utilization data that supports Fleet Management's efforts to collectively right size the fleet.

2. Ensure that unmarked police vehicles, excluding vehicles for covert operations, are replaced using the same schedule as regular fleet vehicles.

Fleet Management began working with the Police Department early in 2003 to assist in vehicle rotation and utilization efforts to gain life expectancy from the unmarked fleet and reduce replacement needs. Fleet Management staff and the Police Department are working cooperatively to optimize the utilization of the unmarked patrol fleet. In addition, the Police Department is reviewing the possibility of

**RESPONSE TO MAYOR'S BUDGET MESSAGE REGARDING FLEET ISSUES**

Page 2

applying the 10 years and 100,000 miles replacement criteria used for general fleet vehicles. Analysis will be conducted to determine if the extended service time can be applied to the unmarked police vehicle fleet without adversely impacting enforcement and emergency response activities.

3. Rotate all newer marked sedans from special non-patrol units, including the Airport, to the general patrol fleet.

The Police Department and the Airport continue to implement the transfer of new and low mileage patrol vehicles from the Airport to the general patrol fleet. Over the past two months, eleven Airport police patrol vehicles (2000-year models with limited mileage) have been replaced with four-year old police patrol vehicles with over 70,000 miles. The Airport will continue to work with the Police Department and Fleet Management to review fleet utilization and identify additional candidates for rotation. This one-time action will help defer the annual new patrol car replacement expenditures while simultaneously complying with the five-year and 100,000-mile replacement criteria. In addition, Fleet Management and the Police Department continue to collaborate with the Auditor's Office to research the feasibility of rotating other special purpose non-patrol units into the general marked patrol fleet.

4. Start assigning all new marked patrol sedans to the general patrol fleet.

It is now the Police Department's policy to place a new marked vehicle within a high-mileage beat in order to maximize the utilization and value of the manufacturer's warranty. The intent is to place new model year vehicles into high-mileage beats to surface and correct any mechanical failures while the vehicles are still under warranty, thus minimizing maintenance cost. Vehicles are to be placed into low-mileage beats in the latter part of their life cycle. In addition, by following this policy, the Department will better align replacement years with replacement miles.

5. We should continue to seek all opportunities to reduce costs and achieve greater efficiencies in fleet management.

During the past several years the focus has been to consolidate the entire city fleet into one centralized fleet management operation. Fleet Management is now working toward identifying and pursuing efficiencies and savings by identifying opportunities for the City organization to better utilize its fleet resources. By taking advantage of options such as vehicle and equipment pooling, long and short-term rentals and alternatives to ownership (mileage reimbursement) a smaller but better utilized fleet resource will be achieved. Recent improvements to the fleet management database, allows Fleet Management to accurately monitor fleet utilization and cost data and provide fleet resources in the most cost effective manner. Finally, recent efforts by Fleet Management have resulted in the implementation of both operational and management improvements that further enhance fleet management efficiencies.

**RESPONSE TO MAYOR'S BUDGET MESSAGE REGARDING FLEET ISSUES**

Page 3

From the 2003-2004 Adopted Budget to the 2004-2005 Proposed Budget Fleet Management has eliminated approximately 14% of its mechanical support staff. In addition, a \$237,804 reduction in contractual services occurred in FY 2003-2004. A further reduction of \$370,000 in contractual support has been proposed for reduction in FY 2004-2005. This is a 29% reduction in Fleet contractual support in two years. Finally the overall physical inventory of the city fleet continues to decline leading to savings in M&O costs plus savings in future replacement costs.

6. Direct the City Manager, working with the City Auditor, to report back to the City Council during the budget process with a total list of the recommended vehicles for elimination and the associated cost savings.

The fleet size will decrease. Fleet Management is currently pursuing the elimination of 250 underutilized vehicles and equipment. This effort is being implemented strategically so as not to adversely impact the delivery of City services. Vehicles and equipment identified by Fleet Management and the affected department as underutilized will be pulled from the assigned department's inventory, assessed for City need, and either assigned to "pool" duty or removed from the fleet and sold at auction. The vehicle elimination list and associated cost savings will be provided to the City Council, by way of the Making Government Work Better Committee, in September 2004.

In addition, 115 vehicles have been removed from the fleet by non-replacement. These vehicles have either reached their service life or have experienced major mechanical failure or accident damage. In line with replacement audit recommendations, the majority of these vehicles have not been replaced.

Finally, General Services and the affected departments will be addressing the viability of removing "transport" vehicles and utilizing mileage reimbursement as a means to achieve cost savings and further optimize fleet size. Approximately 330 vehicles are being examined by the Auditor's office relative to determining the most cost-effective means of meeting the transportation needs of the departments who provide transport vehicles to their employees. Specifically, the audit will determine if mileage reimbursement is less costly than the purchasing, assigning and maintaining of a city owned fleet vehicle. As in previous efforts, Fleet Management will pursue all viable recommendations keeping in mind impacts on service delivery.

/s/

JOSE OBREGON

Director of General Services